

Exhibit

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UNITED STATES PATENT AND TRADEMARK OFFICE
TRADEMARK TRIAL AND APPEAL BOARD

In The Matter of Registration No. 2,526,171
Date of Issue: January 1, 2002

Blarney Castle Oil Co.,)	
)	
Petitioner,)	Cancellation No. 9204111
)	
vs.)	
)	
Cadillac Coffee Company,)	
(now Kmart of Michigan, Inc.))	
)	
Registrant.)	
_____)	



02-06-2003

U.S. Patent & TMO/c/TM Mail Rcpt Dt. #77

RESPONSE TO NOTICE OF DEFAULT/ORDER TO SHOW CAUSE

Registrant, Kmart of Michigan, Inc. (by assignment), through its attorneys identified below, responds to the Notice of Default/Order to Show Cause mailed January 7, 2003, as follows.

I. FACTUAL BACKGROUND

The previous owner of the JAVA MOUNTAIN mark, Cadillac Coffee Company ("Cadillac"), informally assigned the mark to Kmart of Michigan, Inc. ("Kmart") on or about October, 2002. Exhibit A, Lisi letter dated 10/14/2002. During the time that Cadillac and Kmart were formalizing the assignment, Petitioner, Blarney Castle Oil Co. ("Blarney"), filed its Petition to Cancel (the "Petition"). Blarney's counsel sent a courtesy copy of the Petition to Cadillac's counsel. Shortly thereafter, Cadillac notified Kmart that the Petition had been filed. Id. In response to that notification, Kmart's counsel notified Blarney that the JAVA MOUNTAIN mark had been informally assigned to Kmart and that a formal assignment was expected to be recorded at the United States Patent Office shortly. Id.

Kmart and Cadillac were engaged in negotiations concerning the terms of the formal assignment through December, 2002. However, at no time did Cadillac notify Kmart that a scheduling order had been issued in the cancellation. On or about December 4, 2002, while reviewing the Trademark Trial and Appeal Board BISX online status

records, counsel for Kmart discovered that a scheduling order had indeed been issued for the cancellation action and that an Answer to the Petition for Cancellation was due on December 5, 2002. Counsel for Kmart immediately contacted Blarney's counsel and sought an extension complete the assignment between Cadillac and Kmart and to answer the Petition. Blarney's counsel consented to a two week extension and confirmed the extension in writing. Exhibit B, Keller 12/4/2002 letter. Blarney's counsel also forwarded a copy of the scheduling order with the confirmation letter. *Id.*

By December 19, 2002, Kmart had still not received the executed assignment documents back from Cadillac. Accordingly, Kmart contacted Blarney's counsel and sought an additional extension. Blarney's counsel again consented to an additional two week extension. As a condition of the second extension, Kmart agreed to file its Answer to the Petition as soon as it received the executed Assignment. See, Exhibit C, Keller 12/20/2002 letter.

On December 20, 2002, Kmart's counsel received the executed Assignment from Cadillac. On the same day, Kmart submitted the Assignment for recordal with the U.S. Patent and Trademark Office. Exhibit D, Assignment. Kmart further submitted its Entry of Appearance and Answer to the Petition on December 20, 2002 - merely 15 days after the Answer was originally due. Exhibit E, Answer and Entry of Appearance. Following on the heels of the Answer, the parties began exchanging initial discovery requests on December 27, 2002¹ and January 10, 2003,² respectively.

Subsequently, after both the Answer was filed and after discovery had been exchanged, on January 17, 2003, Kmart's counsel received from Cadillac, the Board's Notice of Default/Order to Show Cause mailed January 7, 2003.

II. ARGUMENT

TMBP § 317.02, which governs the setting aside of a Notice Default, states:

If a defendant which as failed to file a timely answer to the complaint responds to a notice of default by a satisfactory showing of good cause why default judgment should not be

¹ Blarney served a First Requests For Admissions on Kmart on December 27, 2002.

² Kmart served its First Set of Interrogatories, Request for Production of Documents and Requests for Admissions on January 10, 2003.

entered against it, the Board will set aside the notice of default.

Good cause why default judgment should not be entered against a defendant, for failure to file a timely answer to the complaint, is usually found when the defendant shows that (1) the delay in filing an answer was not the result of willful conduct or gross neglect on the part of the defendant, (2) the plaintiff will not be substantially prejudiced by the delay, and (3) the defendant has a meritorious defense to the action.

In the instant matter, the delay in filing the answer was clearly not the result of any willful conduct or gross neglect on the part of Kmart. Indeed, the failure to answer the Petition arose merely from the time it took to correctly and legally transfer ownership of the JAVA MOUNTAIN mark. See, e.g., Exhibit A-C. As soon as that transfer was complete, the Answer was filed - prior to the Notice of Default/Order to Show Cause even being mailed. See, Exhibit E.

Nor has Petitioner Blarney been prejudiced in any way. First, Kmart answered the Petition just fifteen (15) days after the initial due date indicated in the scheduling order that Blarney's counsel provided to Kmart. Second, Kmart made Blarney's counsel aware of the status of the transfer of ownership and the steps that it was undertaking to affect the transfer with the U.S. Patent and Trademark Office. Exhibits A-C. As part of that discussion, Kmart sought and received consent from Blarney's counsel for an extension to file the answer. Id. Finally, both parties have begun engaging in discovery. Accordingly, it is clear that Blarney has not been prejudiced in any delay.

Lastly, as set out in TMBP § 317.02:

The determination of whether default judgment should be entered against a party lies within the sound discretion of the Board. *In exercising that discretion, the Board must be mindful of the fact that it is the policy of the law to decide cases on their merits. Accordingly, the Board is very reluctant to enter a default judgment for failure to file a timely answer, and tends to resolve any doubt on the matter in favor of the defendant.* (emphasis added).

As Kmart's Answer indicates, Kmart has a meritorious defense to this action. Accordingly, this matter should be decided on the merits.

III. CONCLUSION

Kmart has satisfied the showing of good cause required under TMBP § 317.02, as (a) the delay in filing the answer was not the result of willful conduct or gross neglect on behalf of Kmart; (b) Blarney has not been prejudiced in this matter and, in fact, gave consent for the extension; and (c) Kmart has already provided a meritorious defense in this matter, as indicated in its Answer. Therefore, the instant Notice of Default should be set aside, and the cancellation action be allowed to go forward on its merits.

Respectfully submitted,

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CERTIFICATE OF MAILING


I hereby certify that the foregoing *Response to Notice of Default/Order to Show Cause* is being deposited with the United States Postal Service as First Class Mail and is addressed to Box TTAB, Assistant Commissioner of Trademarks, 2900 Crystal Drive, Arlington, Virginia 22202-3513 on February 4, 2003.


Kathryn L. Nash

CERTIFICATE OF SERVICE

This will certify that a copy of the foregoing *Response to Notice of Default/Order to Show Cause* has been served upon counsel for Petitioner via first class mail with the United States Postal Service with postage fully pre-paid on February 4, 2003, as follows:

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Kathryn L. Nash

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